PHOENIX 2 RE PTE. LTD.

(Incorporated in Singapore. Registration Number: 202140817K)

ANNUAL REPORT

For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022

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Contents

DIRECTORS' STATEMENT

For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022

The directors present their statement to the member together with the audited financial statements for the financial period from 24 November 2021 (date of incorporation) to 31 December 2022.

In the opinion of the directors,

(a) the financial statements as set out on pages 7 to 37 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 covered by the financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Paul Robert Faulkner	(appointed on 24 November 2021)
Tunstall Stephen John	(appointed on 24 November 2021)
Ng Hwee Hong	(appointed on 24 November 2021)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company.

Share options

No options were granted during the financial period to subscribe for unissued shares of the Company.

No shares were issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial period.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

On behalf of the directors

Paul Robert Faulkner

Paul Robert Faulkner
Director

Ng Hwee Hong
Director

31 May 2023

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Phoenix 2 Re Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the financial period from 24 November 2021 (date of incorporation) to 31 December 2022.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the financial period from 24 November 2021 (date of incorporation) to 31 December 2022;
- the balance sheet as at 31 December 2022;
- the statement of changes in equity for the financial period from 24 November 2021 (date of incorporation) to 31 December 2022;
- the statement of cash flows for the financial period 24 November 2021 (date of incorporation) to 31 December 2022; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on the Audit of the Financial Statements (continued)

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial period from 24 November 2021 (date of incorporation) to 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Valuation of insurance contract liabilities – reserve for outstanding claims Refer to the following notes in the financial statements: Note 2.3(iv) *Claims incurred and provision for insurance claims*, Note 3 *Critical accounting estimates, assumptions and judgements* and Note 20.4 *Concentration of insurance risk*. As at 31 December 2022, the Company has nil balance for insurance contract liabilities – reserve for outstanding claims.	We performed the following audit procedures to address this matter: • we understood the actuarial valuation process; • we obtained the confirmation from the independent qualified claims reviewer and the cedant on whether any claim event has occurred during the financial period; and • we assessed the appropriateness of the disclosures in the financial statements. Based on the work performed and the evidence obtained, the rationale for conclusion of the assessment conducted by the independent qualified claims reviewer is appropriate. Our audit procedures and the disclosures showed that they were in accordance with the relevant FRS 1 and FRS 104 disclosure requirements.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 31 May 2023

PHOENIX 2 RE PTE. LTD.

STATEMENT OF COMPREHENSIVE INCOME

For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022

	Notes	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Gross written premiums	5	**4,773,375**
Noteholders' share of annual risk premiums		**(3,083,373)**
Net written premium		**1,690,002**
Change in provision for gross unearned premiums	17	**(733,774)**
Change in provision for Noteholders' share of risk premiums	17	**733,774**
Net earned premiums		**1,690,002**
Underwriting expenses	16	**(474,908)**
Movement for Noteholders' share of underwriting expenses		**(132,384)**
Underwriting profit		**1,082,710**
Investment income		**417,290**
Other income	6	**190,242**
Administration expenses		**(1,654,267)**
Foreign exchange gain – net		**238**
Total expenses		**(1,046,497)**
Profit before income tax	7	**36,213**
Income tax expense	8	**–**
Profit after income tax		**36,213**
Other comprehensive income		**–**
Total comprehensive income		**36,213**

The accompanying notes form an integral part of these financial statements.

PHOENIX 2 RE PTE. LTD.

BALANCE SHEET
As at 31 December 2022

	Notes	2022 USD
ASSETS		
Cash and cash equivalents	13	**23,400**
Noteholders' share of unearned premiums	17	**733,774**
Insurance receivable	12	**1,509,006**
Prepayments and other receivables	11	**227,236**
Financial assets at fair value through profit or loss	9	**38,507,078**
Cash held in collateral trust	10	**417,290**
Total assets		**41,417,784**
LIABILITIES		
Insurance payable	14	**3,123,616**
Catastrophe bond liabilities	15	**37,350,000**
Unearned premiums reserves	17	**733,774**
Accrued expenses and other payables	18	**159,514**
Total liabilities		**41,366,904**
NET ASSETS		**50,880**
EQUITY		
Share capital	19	**14,667**
Retained earnings		**36,213**
Total equity		**50,880**

The accompanying notes form an integral part of these financial statements.

PHOENIX 2 RE PTE. LTD.

STATEMENT OF CHANGES IN EQUITY

For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022

	Share capital USD	Retained earnings USD	Total equity USD
2022			
At 24 November 2021 (date of incorporation)	–	–	–
Issuance of shares upon incorporation	14,667	–	14,667
Total comprehensive income	–	36,213	36,213
Balance at 31 December 2022	**14,667**	**36,213**	**50,880**

The accompanying notes form an integral part of these financial statements.

PHOENIX 2 RE PTE. LTD.

STATEMENT OF CASH FLOWS

For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022

	Note	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Cash flows from operating activities		
Profit after income tax		**36,213**
Adjustments for:		
- Interest income		**(417,290)**
- Change in catastrophe bond liabilities*		**(150,000)**
		(531,077)
Changes in working capital:		
- Prepayments and other receivables		**(227,236)**
- Insurance receivable		**(1,509,006)**
- Cash held in collateral trust		**(417,290)**
- Insurance payable		**3,123,616**
- Accrued expenses and other payables		**159,514**
Cash generated from operations		**598,521**
Net cash provided by operating activities		**598,521**
Cash flows from investing activities		
Interest received		**417,290**
Purchase of investments		**(38,507,078)**
Net cash used in investing activities		**(38,089,788)**
Cash flows from financing activities		
Proceeds from issuance of share capital		**14,667**
Proceeds from issuance of catastrophe bond liabilities*		**37,500,000**
Net cash provided by financing activities		**37,514,667**
Net increase in cash and cash equivalents		**23,400**
Cash and cash equivalents at the date of incorporation		**–**
Cash and cash equivalents at the end of the financial period	13	**23,400**

* Included in the proceeds from issuance of the variable rate notes is USD150,000, which was utilised to fund operational expenses.

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 8 Marina View, #09-05 Asia Square Tower 1 Singapore 018960.

The principal activities of the Company are those of a general reinsurance business in Singapore licensed under Section 11 of the Insurance Act 1966 (the “Insurance Act”) as a Special Purpose Reinsurance Vehicle (“SPRV”).

The immediate and ultimate holding company of the Company during the financial period is Phoenix 2 Shares Trust registered in the Republic of Singapore, managed by Intertrust (Singapore) Ltd as the shares trustee.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (“FRS”) including related interpretations of FRS (“INT FRS”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRSs requires management to exercise its judgement in the process of applying the Company’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2022

In the current financial period, the Company adopted all existing and, new and revised FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial period beginning 24 November 2021.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company’s accounting policies and had no material effect on the amounts reported for the current financial period.

2. Significant accounting policies (continued)

2.2 Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.3 Recognition and measurement of insurance contracts

All the Company's existing products are insurance contracts as defined in FRS 104 *Insurance Contracts*. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

(i) Gross written premiums and net earned premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the financial period, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed excluding taxes based on premiums. The earned portion of premiums received is recognised as revenue. Written premiums are earned from the date of attachment of risk, over the indemnity period based on the pattern of the risks underwritten.

2. Significant accounting policies (continued)

2.3 Recognition and measurement of insurance contracts (continued)

(ii) Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(iii) Underwriting expenses

Underwriting expenses represent those costs that vary with and are primarily related to the acquisition of new insurance contracts. The underwriting expenses comprise the portion of the commissions, underwriting fee and business tax incurred in connection with the acquisition of insurance contracts that relate to the unearned premiums.

(iv) Claims incurred and provision for insurance claims

Claims incurred in respect of general reinsurance business comprise claims and claims handling expenses paid during the financial period together with the movement in the provision for insurance claims.

Provision for claims (incurred but not reported ("IBNR") or loss reserves) are established as advised by appointed claims reviewer and loss reserve specialist.

Whilst the directors consider that the provision is fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. The methods used, and the estimates made, are reviewed regularly.

(*v*) *Catastrophe bond*

Catastrophe bonds are bonds in which the principal, interest payments or both are reduced significantly if a special triggering event occurs and the triggering event includes a condition that the issuer of the bond suffers a loss. A Collateral Account is set up to hold any investments purchased from using proceeds arising from the initial bond issuance and any premiums received. The bonds issued are redeemable at the lower of the principal amount or the sum of the proceeds of the liquidation of the investments held in the Collateral Account plus early redemption premium payable upon the occurrence of certain event of default that failed to be cured by the ceding insurer, if applicable. The contractual interest is calculated as an amount equal to the sum of the investments yield from investments held in the Collateral Account and the annual risk premium. A Collateral Payment account is set up to hold any proceeds arising from the conditions defined above, before these proceeds are being paid out to the Noteholders.

2. **Significant accounting policies** (continued)

2.3 **Recognition and measurement of insurance contracts** (continued)

(*v*) *Catastrophe bond* (continued)

The catastrophe bond is an insurance contract, with the Company (the issuer) as the policyholder and the noteholder as the insurer, and is accounted for as follows:

- bond component comprising the principal amount collateralised by the investment held in the Collateral Account and the contractual interests on the principal amount calculated based on the investments yield are measured at fair value through profit or loss and net gains and losses are recognised in profit or loss; and

- premiums and claims are accounted for as a reinsurance contract. Noteholders' share of the premiums (risk interest spread), outstanding claims provision or settled claims are estimated in a manner consistent with that associated with the Reinsurance Agreement with the ceding insurer (refer to notes 2.3(i), (ii), (iii) and (iv)) and in accordance with the Catastrophe bond contract.

The fair value of the bond component is determined based on the fair value of the investments held in the Collateral Account.

2.4 **Receivables and payables related to insurance contracts**

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers objective evidence that an insurance receivable is impaired using the same process adopted for reinsurance contracts below.

2.5 **Financial assets**

The Company classifies its financial assets into the following measurement categories:

- amortised cost;
- fair value through other comprehensive income ("FVOCI"); and
- fair value through profit or loss ("FVPL").

The classification of debt instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

(i) *At initial recognition*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) *At subsequent measurement*

1. Debt instruments

Debt instruments of the Company mainly comprise of cash and bank deposits, insurance receivables and other receivables.

There are three prescribed subsequent measurement categories, depending on the Company's business model in managing the assets and the cash flow characteristic of the assets. The Company managed these groups of financial assets by collecting the contractual cash flow and these cash flows represents solely payment of principal and interest. Accordingly, this group of financial assets are measured at amortised cost subsequent to initial recognition.

For insurance receivables and other receivables, the Company applied the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and bank deposits, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

2. Investments in the Money Market Fund

The Company subsequently measures all its Money Market Fund investments at their fair values. These instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gain/(losses)". Any interest income relating to these investments are recognised in profit or loss.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(ii) *At subsequent measurement* (continued)

2. Investments in the Money Market Fund (continued)

Regular way purchases and sales of these financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

On disposal, the differences between the carrying amount and sales proceed is recognised in profit or loss.

2.6 Other payables

Other payables represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities. Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions, which are subject to an insignificant risk of change in value.

2.8 Provisions

Provisions for other liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.9 Revenue recognition

(i) Premium income

The accounting policy in relation to earned premiums from insurance contracts is disclosed in Note 2.3(i).

(ii) Interest income

Interest income is recognised using the effective interest rate method.

2. Significant accounting policies (continued)

2.10 Related party

A related party is defined as follows:

a) a person or a close member of that person's family is related to the Company if that person:

   (i) has control or joint control of the Company;
   (ii) has significant influence over the Company; or
   (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

b) an entity is related to the Company if any of the following conditions applies:

   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) both entities are joint ventures of the same third party.
   (iv) one entity is a joint venture of a third entity and the other entity is an associated of the third entity.
   (v) the entity is a post-employment benefit plan for the benefit of employees of wither the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
   (vi) the entity is controlled or jointly controlled by a person identified in (a);
   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company.

2. Significant accounting policies (continued)

2.11 Currency translation

The financial statements are presented in United States Dollar ("USD"), which is the functional currency of the Company.

Transactions in a currency other than United States Dollar ("foreign currency") are translated into United States Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

All other foreign exchange gains and losses impacting profit or loss are presented within 'foreign exchange gain – net'.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed on the following page.

Management discussed with the Directors the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

Certain critical accounting judgments in applying the Company's accounting policies are related to the policyholder claims.

The Company's estimates for reported and unreported losses and the resulting provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the profit or loss. The process relies upon the use of external advisors (loss reserve specialist and loss adjustors) and the assumption that past experience is an appropriate basis for predicting future events.

4. Claims development

A claims development table discloses unpaid claims estimates into a context, allowing comparison of the development of claims for provisions with those seen in previous years. The table will provide a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent accident year-ends.

A claims development table is not disclosed in the financial statements as this is the first financial period of operation and the Company does not have any claims. Hence, there are no liabilities for unpaid claims (including those for incurred but not reported) at the balance sheet date.

5. Gross written premiums

	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Reinsurance premiums assumed	**4,773,375**

Grant income of US$1,452,289 was received on 14 October 2022 under the Monetary Authority of Singapore ("MAS") Insurance-linked Securities ("ILS") Grant Scheme, to fund ILS bond issuance costs.

Grant income is not separately recognised in the financial statements through the profit or loss statement as the bond issuance expenses had been funded and reimbursed by MS Amlin Underwriting Limited (Cedent). This funding is recognised within "Gross written premiums" in the same financial period that the expenses had been incurred. The grant income, when received from the MAS, was then returned in full to the cedent on 2 November 2022.

6. Other income

	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Proceeds from issuance of Variable Rate Notes utilised to fund operating expenses	**150,000**
Funding of operating expenses by Noteholders	**40,242**
	190,242

In accordance to the Retrocession Agreement, a sum of $150,000 is to be deducted from the proceeds of the issuance of the Variable rate notes, to pay the initial operating expenses (Note 15).

Further, MS Amlin Underwriting Limited (as Cedant) shall instruct The Bank of New York Mellon (as Indenture Trustee) to transfer funds from the Collateral Account to the Company's bank account to pay for operating expenses due and payable.

7. Profit before income tax

Profit before tax is arrived at after including:

	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Professional fees	1,422,647
Incorporation expenses	53,954
Directors' & Officers' insurance	33,431
Audit fee	20,866
Directors' fees	19,790
Administrator fees paid to a firm in which a director is a member	49,905

8. Income tax expense

	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Profit before income tax	36,213
Income tax at statutory rate 17%	6,156
Less: Effects of tax incentive scheme	(6,156)
Total tax expense	–

The Company has been approved under the tax incentive scheme for special purpose vehicles engaged in asset securitisation transaction with effect from 6 December 2021, subject to the terms set out in the tax incentive letter.

From 24 November 2021 (date of incorporation) to 6 December 2021, the Company had not commenced its business activities and did not incur any taxable income subject to tax.

9. Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprises:

	2022 USD
Current	
Money Market Fund	**38,507,078**

The Company has used the proceeds from the sale of the Variable Rate Notes to purchase its investment in Money Market Fund, which are deposited in the applicable Collateral Account. Following the purchase of the investments and until the agreed applicable redemption date of the variable rate notes, each Collateral Account is expected to contain only the applicable investment in Money Market Fund unless such investments are redeemed early.

When the investment in Money Market Fund is redeemed, the cash proceeds of such redemption will be deposited in the applicable Collateral Account. The financial assets are collateral for the Variable Rate Notes in issue of the Company and any funds made available through their disposal will be used to repay the principal and accrued interest of the Variable Rate Notes.

The Collateral Account is also required to fund the Company's payment of expected operating expenses.

The investment in Money Market Fund is a Level 1 financial instrument. The investment is denominated in USD.

10. Cash held in collateral trust

	2022 USD
Cash held in collateral trust	**417,290**

Cash held in the Collateral Trust Account are not freely remissible for use by the Company.

The interest income is derived from investment in money market fund, received and are deposited in the applicable Collateral Trust Account. This will be paid to the Noteholders in due course.

11. Prepayments and other receivables

	2022 USD
Deferred underwriting expenses	**132,384**
Prepayments	**38,039**
Other receivable	**40,242**
GST recoverable	**16,571**
	227,236

All prepayments and other receivables at balance sheet date are denominated in USD. Prepayments and other receivables are current.

12. Insurance receivable

	2022 USD
Premiums receivable	**1,509,006**

The ageing of insurance receivable at the reporting date was as follows:

	2022 USD
Current	**1,509,006**

At the reporting date, there are no provisions made for impairment losses on premiums receivable from the ceding insurer. Management has assessed the receivable and has determined that no specific allowance is necessary.

All premium receivables at balance sheet date are denominated in USD.

13. Cash and cash equivalents

	2022 USD
Cash at bank	**23,400**

Cash and cash equivalents are denominated in the following currencies:

	2022 USD
USD	**8,496**
SGD	**14,904**
	23,400

Cash and cash equivalents are current.

14. Insurance payable

	2022 USD
Non-current	
Noteholders' share of annual risk premiums	**3,123,616**
	3,123,616

The carrying amounts of insurance payables approximate their fair values. Insurance payables are denominated in USD and are non-current.

15. Catastrophe bond liabilities

	2022 USD
Variable rate notes	**37,350,000**

Aside from the initial issuance on 23 December 2021, there have been no movements in the current period, no changes in unrealised fair value nor additions or redemptions.

On 23 December 2021, the Company issued USD9,375,000 Class A Participating Notes ("Class A Notes") and USD28,125,000 Class B Participating Notes ("Class B Notes"), both due on 4 January 2028. The Notes issued by the Company are with limited recourse to certain assets of the Company. Noteholders will only have recourse to the Collateral Account and Collateral Payment Account relating to the Class A Notes. In addition to the covered perils associated with the Retrocession Agreement, the Noteholders are exposed to the credit risk of MS Amlin Underwriting Limited (as Cedent) and The Bank of New York Mellon (as Indenture Trustee).

15. Catastrophe bond liabilities (continued)

Due to the limited recourse of the Variable Rate Notes, the repayment of the principal and accrued interest of the Notes is dependent upon funds being available to meet such liabilities as they fall due. If the Company has insufficient funds available for the purpose of redeeming the principal outstanding on any class of notes in full or interest thereon, such amounts shall not be payable to the Noteholders.

The fair value of Notes is calculated by adding the nominal value of the Variable Rate Notes and the unrealised fair value adjustment on financial assets. Interest on the Notes is accrued based on the ceded premium payable less losses, expenses, commissions and other amounts payable under the Retrocession Agreement.

Of the proceeds of the issuance of the Variable Rate Notes, USD150,000 was utilised to fund operational expenses.

Catastrophe bond liabilities are non-current liabilities.

16. Underwriting expenses

	For the financial period from 24 November 2021 (date of incorporation) to 31 December 2022 USD
Commission expense	**229,411**
Brokerage expense	**234,548**
Insurance taxes	**10,949**
	474,908

Insurance taxes pertains to tax expense incurred as part of underwriting expenses in respect of underwriting the risks.

17. Unearned premium reserves

	2022 USD
Gross unearned premium reserve	
Balance at the beginning of financial period	–
Movement during the period	733,774
Balance at the end of financial period	733,774
Noteholders' share of unearned premium reserve	
Balance at the beginning of financial period	–
Movement during the period	733,774
Balance at the end of financial period	733,774
Net unearned premium reserve	
Balance at the beginning of financial period	–
Movement during the period	–
Balance at the end of financial period	–

Gross unearned premium reserve and Noteholders' share of unearned premium reserve are current liabilities and current assets respectively.

18. Accrued expenses and other payables

	2022 USD
Deferred Noteholders' share of underwriting expenses	132,384
Accrued expenses	27,130
	159,514

Accrued expenses are denominated in the following currencies:

	2022 USD
USD	134,112
SGD	25,402
	159,514

Accrued expenses and other payables are current liabilities.

19. Share capital

	Number of ordinary shares with no par value	2022 USD
Issued and fully paid up with no par value:		
At 24 November 2021 (date of incorporation) and at 31 December 2022	**20,000**	**14,667**

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital risk management

The Company's objectives when managing capital are:
- to comply with the insurance capital requirements required by the Singapore insurance regulator;
- to safeguard the Company's ability to continue as a going concern so that it can continue to meet its commitments to noteholders.

The Company is required, at all times it carries on insurance businesses, to meet and maintain the relevant fund solvency and capital adequacy requirements as prescribed under the Act and relevant regulations. There is no change in the Company's approach to capital management during the period. The Company has met these requirements.

20. Insurance risk management

20.1 Risk management objectives and policies for mitigating insurance risk

The primary activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risk may relate to property, liability or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company manages its insurance risk though underwriting, pricing comparisons, centralised management of reinsurance and monitoring of emerging issues.

20.2 Underwriting strategy

The Company, due to its licensing arrangements and conditions, is unable to insure a diversified portfolio of similar risks.

20. Insurance risk management (continued)

20.3 Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from the contracts are set out below.

The following gives an assessment of the Company's main product and the ways in which it manages the associated risks.

Product features

The Company underwrites catastrophe quota share treaty, indemnifying the reinsured for the part of its losses which exceed the applicable Aggregate Loss Limits on account of each and every Covered Event. This insurance covers original losses and expenses in Asia Pacific (excluding Japan and Australasia), India, and India Subcontinent, plus Israel and Turkey, for covered natural and non-natural perils including but not limited to earthquake, storm, fire and explosion.

Management of risks

The key risks associated with this product are underwriting risk and insurance risk.

Underwriting risk is the risk that the Company does not charge premiums appropriately for the coverage it insures. The risk on any policy will vary according to many factors such as location, safety measures in place, nature of the business insured and age of property. Therefore, determining a premium commensurate with the risk for these policies will be subjective, and hence risky.

Insurance risk is managed primarily through sensible pricing, appropriate investment strategy and reinsurance via the issuance of catastrophe bonds. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

20.4 Concentration of insurance risk

Within the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and related to circumstances where significant liabilities could arise.

The Company manages the risk by capping its exposure with an aggregate limit.

21. Financial risk management

Strategy in using financial instruments

The principal activity of the Company involves placing natural and non-natural perils including but not limited to earthquake, storm, fire, explosion risks with the capital markets. The risks are assumed by the Company under a retrocession agreement with MS Amlin Underwriting Limited. The Company has issued Variable Rate Notes in order to obtain funds to support the obligations under the Retrocession Agreement to make certain payments to MS Amlin Underwriting Limited.

The catastrophe bond liabilities provided the funding to purchase the Company's investment in financial assets at fair value through profit or loss ("FVTPL"). Financial assets and catastrophe bond liabilities represent the majority of the assets and liabilities of the Company. The Company has purchased Money Market Fund as a means of investing the proceeds of the Variable Rates Notes issued.

The strategies used by the Company in achieving its objectives regarding the use of the financial assets and liabilities were established when the Company entered into the transactions. The Company has attempted to match the properties of its catastrophe bond liabilities to its assets to avoid the risk generated by mismatches of investment performance against its obligations.

The Company's activities expose it to event risk, credit risk, market risks (including foreign currency risk and interest rate risk) and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

Event risk

The Company has issued Variable Rate Notes in order to obtain funding to support its obligations under the reinsurance agreement to make certain payments to MS Amlin Underwriting Limited. As a result of the Retrocession Agreement in place, the Company and holders of the Notes issued by the Company are at risk in the event that the covered risks occurs during the risk period, which exceed the Aggregate Loss Limits. The Company will be required to make payments to MS Amlin Underwriting Limited for its proportionate share of losses incurred by MS Amlin Underwriting Limited up to the Aggregate Loss Limits.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. Key areas where the Company is exposed to credit risk are:

- financial assets at fair value through profit and loss;
- insurance receivable; and
- cash and cash equivalents.

21. Financial risk management (continued)

Credit risk (continued)

The above represents the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

There are policies in place to identify whether the debtors have adequate financial standing and have appropriate credit history.

The financial assets at FVTPL are investments placed in a Money Market Fund and has a high credit rating of "AAA" by Standard & Poor's.

As at 31 December 2022, there are no past due or impaired receivables.

Cash and cash equivalents were held with one financial institution, thereby exposing the Company to significant concentrations of credit risk. However, management consider that the high credit rating of "A-1" by Standard & Poor's of the financial institution has reduced the risk to an acceptable level.

Foreign currency risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Company has no significant foreign currency exchange rate risk as its financial assets and liabilities are substantially denominated in United States dollar. Hence, no disclosure on sensitivity analysis for changes in foreign exchange rate as the effect is not significant.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to its investment in the Money Market Fund and Variable Rate Notes. The Company has cash balances and investments placed in Money Market Fund, which has a credit rating of "AAA" by Standard & Poor's.

At the reporting date, the Company's net exposure to interest rate risk is not significant.

Liquidity risk

The Company is exposed to calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company's ability to meet its funding requirements is managed by maintaining sufficient cash and bank deposits, as well as investments.

The Company's main liabilities are the outstanding claims (if any), repayment of interest and principal on its variable rate notes.

21. Financial risk management (continued)

Liquidity risk (continued)

The directors do not foresee any issues in meeting the Company's claim obligations (if any) as its maximum exposure is limited to the liquidation proceeds of the permitted investments held in the collateral trust account. The risk is managed by maintaining the investment.

The contractual maturities of financial liabilities as at the reporting date is current. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements (if any).

22. Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, insurance receivable, other receivables, insurance payables and accrued expenses approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of applicable financial assets and financial liabilities are determined as follows:

a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy).

b) In the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).

c) In the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

22. Fair value of financial assets and financial liabilities (continued)

The fair values of applicable financial assets and financial liabilities are determined as follows:

31 December 2022	Note	Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets at fair value through profit and loss:				
Investment in Money Market Fund	9	38,507,078	–	–

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position are as follows:

	Note	At FVTPL USD	At amortised cost USD	Total carrying amount USD
2022				
Financial assets				
Financial assets at fair value through profit or loss	9	38,507,078	–	38,507,078
Cash held in collateral trust	10	–	417,290	417,290
Insurance receivable	12	–	1,509,006	1,509,006
Other receivables (excluding prepayments and deferred underwriting expenses)	11	–	56,813	56,813
Cash and cash equivalents	13	–	23,400	23,400
		38,507,078	**2,006,509**	**40,513,587**
Financial liabilities				
Insurance payable	14	–	3,123,616	3,123,616
Accrued expenses	18	–	27,130	27,130
		–	**3,150,746**	**3,150,746**

23. Related parties

Transactions with key management personnel

The key management personnel of the Company comprised directors and their fees are as disclosed under Note 7.

During the financial reporting period, the Company had no employees as the operational management, accounting and administrative functions are provided by an insurance manager.

23. Related parties (continued)

Other related party transactions

Other than as disclosed elsewhere in the financial statements, there were no significant transactions between the Company and its related corporations or related parties.

24. New or revised accounting standards and interpretation

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023. The management anticipates that the adoption of these FRS and INT FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption other than the following.

FRS 117 Insurance Contracts

FRS 117 replaces FRS 104 for annual periods beginning on or after 1 January 2023. FRS 117 introduces an accounting model that measures groups of insurance contracts based on fulfilment cash flows. It is likely to change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures of the Company's financial statements.

i. Premium Allocation Approach (‘PAA’) model

The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Company under FRS 104 in the following key areas:

- The liability for remaining coverage reflects premiums received less assets for insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.

- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of service are more than 12 months apart.

24. New or revised accounting standards and interpretation (continued)

FRS 117 Insurance Contracts (continued)

i. *Premium Allocation Approach ('PAA') model* (continued)

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under FRS 104 in the following key areas: (continued)

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

- Measurement of the liability for incurred claims (previously claims outstanding and incurred but not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

ii. *Level of aggregation*

FRS 117 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. The Company represents that each insurance contract represents a different group of insurable risk. There is only one contract written. As such group of contracts would be held at the individual contract level.

iii. *Onerous group of contracts*

The Company has assessed the historical performance of each contract in order to conclude whether it should be classified as loss making. In addition, the expected combined operating ratio for each policy will be used to inform the group of contracts as onerous. Specific analysis and justification will be made at each reporting period.

24. New or revised accounting standards and interpretation (continued)

FRS 117 Insurance Contracts (continued)

iv. Contract Boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

The analysis on the contract boundary would be based on the following criteria:

- The Company has the practical ability to reassess the risks of the insurance contract that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment.

v. Risk Adjustment

Risk adjustments for non-financial risk is the compensation that the Company requires for bearing uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that the Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

For those that are eligible for the PAA model, the risk adjustment valuation may therefore only be required for Liability for Incurred Claims as the Company would expect the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, for the risk adjustment calculation permitted under FRS 117, a percentage loading will be applied to the best estimate claims position.

vi. Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance contract issued and presents separately:

- Portfolios of insurance issued that are assets
- Portfolios of insurance issued that are liabilities

24. New or revised accounting standards and interpretation (continued)

FRS 117 Insurance Contracts (continued)

vi. Changes to presentation and disclosure (continued)

The portfolios referred to above are those established at initial recognition in accordance with the FRS 117 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared to those disclosed under FRS 104. Under FRS 104 the Company reported the following line items in their financial statements:

- Gross premiums written
- Net written premiums
- Change in provision for gross unearned premiums
- Change in provision for Noteholders' share of underwriting expenses
- Movement in the net provision for outstanding claims
- Net earned premiums
- Underwriting expenses
- Movement for Noteholders' share of underwriting expenses
- Net claims incurred

Upon the adoption of FRS 117, the standard requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses

The Company provides disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

<u>Financial impact on the transition to FRS 117</u>
The Company will be adopting FRS 117 for the first time on 1 January 2023. The Company is in the midst of conducting a detailed assessment on the impact to the financial statements on adopting the new standard. The Company will restate the comparative information based on the transition approach taken on adoption of FRS 117.

25. Comparative figures

No comparative figures are presented as this is the first set of the Company's financial statements since incorporation.

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Phoenix 2 Re Pte. Ltd. on 31 May 2023.